

**COMMUNITY FOUNDATION OF
SWITZERLAND COUNTY, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Community Foundation of Switzerland County, Inc.
303 Ferry St.
Vevay, Indiana 47043

Opinion

We have audited the accompanying financial statements of Community Foundation of Switzerland County, Inc. (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blue & Co., LLC

Seymour, Indiana

February 8, 2022

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
Cash	\$ 243,403	\$ 414,244
Certificate of deposit	316,213	310,753
Investments	16,096,124	14,501,440
Property and equipment, net	498	714
	<u>\$ 16,656,238</u>	<u>\$ 15,227,151</u>

LIABILITIES AND NET ASSETS

Liabilities

Custodial funds	\$ 565,875	\$ 522,807
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Net assets

Without donor restrictions		
Operating	374,970	395,324
Board designated reserve	101,724	100,000
Administrative endowment	1,263,094	1,137,686
	<u>1,739,788</u>	<u>1,633,010</u>
With donor restrictions		
Restricted for specified purposes	416,602	396,482
Restricted in perpetuity - endowment	9,787,193	9,622,346
Restricted subject to the Organization's pending policy	4,146,780	3,052,506
	<u>14,350,575</u>	<u>13,071,334</u>
Total net assets	<u>16,090,363</u>	<u>14,704,344</u>
	<u>\$ 16,656,238</u>	<u>\$ 15,227,151</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions	\$ 6,929	\$ 269,333	\$ 276,262	\$ 373,722
Investment return, net	142,775	1,641,466	1,784,241	1,537,566
Administrative fees	193,666	-0-	193,666	183,705
In-kind revenue	9,600	-0-	9,600	9,600
Net assets released from restrictions	631,558	(631,558)	-0-	-0-
Total support and revenues	984,528	1,279,241	2,263,769	2,104,593
Expenses				
Program services	713,589	-0-	713,589	616,772
Management & general	109,097	-0-	109,097	103,532
Fundraising & development	55,064	-0-	55,064	54,114
Total expenses	877,750	-0-	877,750	774,418
Change in net assets	106,778	1,279,241	1,386,019	1,330,175
Net assets, beginning of year	1,633,010	13,071,334	14,704,344	13,374,169
Net assets, end of year	\$ 1,739,788	\$ 14,350,575	\$ 16,090,363	\$ 14,704,344

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 106,500	\$ 267,222	\$ 373,722
Investment return, net	130,276	1,407,290	1,537,566
Administrative fees	183,705	-0-	183,705
In-kind revenue	9,600	-0-	9,600
Net assets released from restrictions	<u>555,615</u>	<u>(555,615)</u>	<u>-0-</u>
Total support and revenues	985,696	1,118,897	2,104,593
Expenses			
Program services	616,772	-0-	616,772
Management & general	103,532	-0-	103,532
Fundraising & development	<u>54,114</u>	<u>-0-</u>	<u>54,114</u>
Total expenses	<u>774,418</u>	<u>-0-</u>	<u>774,418</u>
Change in net assets	211,278	1,118,897	1,330,175
Net assets, beginning of year	<u>1,421,732</u>	<u>11,952,437</u>	<u>13,374,169</u>
Net assets, end of year	<u><u>\$ 1,633,010</u></u>	<u><u>\$ 13,071,334</u></u>	<u><u>\$ 14,704,344</u></u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	Program Services	Management & General	Fundraising & Development	Total	Program Services	Management & General	Fundraising & Development	Total
Grants	\$ 451,651	\$ -0-	\$ -0-	\$ 451,651	\$ 304,066	\$ -0-	\$ -0-	\$ 304,066
Program expenses	8,661	-0-	-0-	8,661	7,622	-0-	-0-	7,622
Salaries and wages	47,492	52,903	39,162	139,557	89,975	67,003	34,458	191,436
Payroll taxes and employee benefits	8,555	9,562	7,045	25,162	14,609	10,879	5,595	31,083
Administrative fees	186,535	-0-	-0-	186,535	180,287	-0-	-0-	180,287
Advertising	408	101	510	1,019	2,086	521	2,607	5,214
Office supplies	4,311	1,724	2,587	8,622	5,967	2,387	3,580	11,934
Telephone	1,045	522	1,045	2,612	1,211	485	727	2,423
Rent	3,168	3,168	3,264	9,600	4,800	1,920	2,880	9,600
Depreciation	86	44	86	216	108	43	65	216
Professional fees	-0-	12,200	-0-	12,200	1,365	12,000	-0-	13,365
Dues and subscriptions	-0-	9,832	-0-	9,832	-0-	6,074	-0-	6,074
Software	-0-	18,000	-0-	18,000	-0-	-0-	-0-	-0-
Contracted services	-0-	-0-	-0-	-0-	1,072	429	643	2,144
Meetings and conferences	107	72	179	358	1,308	872	2,180	4,360
Insurance	1,003	401	602	2,006	1,830	732	1,099	3,661
Miscellaneous	567	568	584	1,719	466	187	280	933
Total expenses	\$ 713,589	\$ 109,097	\$ 55,064	\$ 877,750	\$ 616,772	\$ 103,532	\$ 54,114	\$ 774,418

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating activities		
Change in net assets	\$ 1,386,019	\$ 1,330,175
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	216	216
Reinvested interest and dividends received on investments	(604,726)	(289,074)
Realized and unrealized gains on investments	(1,308,756)	(1,365,600)
Restricted contributions for endowment	(151,518)	(141,520)
Changes in assets and liabilities:		
Custodial funds	43,068	40,239
Net cash flows from operating activities	<u>(635,697)</u>	<u>(425,564)</u>
Investing activities		
Purchase of certificate of deposit	(316,213)	(310,753)
Proceeds from sale of certificate of deposit	310,753	300,000
Purchases of investments	(5,577,099)	(5,094,330)
Proceeds from sales of investments	5,895,897	5,164,689
Net cash flows from investing activities	<u>313,338</u>	<u>59,606</u>
Financing activities		
Restricted contributions for endowment	151,518	141,520
Net cash flows from financing activities	<u>151,518</u>	<u>141,520</u>
Net change in cash	(170,841)	(224,438)
Cash, beginning of year	<u>414,244</u>	<u>638,682</u>
Cash, end of year	<u><u>\$ 243,403</u></u>	<u><u>\$ 414,244</u></u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Community Foundation of Switzerland County, Inc. (the "Organization") is a not-for-profit entity that began operations on January 1, 2000. The Organization is located in Vevay, Indiana, and was organized to assist donors in building an enduring source of charitable assets to benefit the Switzerland County area.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board of directors (Board) or designated by the Board for specific use. The Organization maintains net assets without donor restrictions as follows:

Operating – used to fund current operations of the Organization

Board designated reserve – used to fund future special programs or projects of the Organization as determined by the Board

Administrative endowment – established with the expectation that the principal be maintained in perpetuity to generate grants, subject to the spending policy, used to support the general operations of the Organization as designated by the Board

Net assets with donor restrictions: Net assets subject to donor stipulations for specific purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. The Organization maintains net assets with donor restrictions as follows:

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Restricted for specified purpose – all contributions to the Organization with the intention of the donor to be held for a specific program or in a donor-restricted non-endowed fund

Restricted in perpetuity – endowment – all contributions to the Organization with the intention of the donor that the assets be held in perpetuity and managed in accordance with the Organization’s spending policy

Restricted subject to the Organization’s spending policy – investment earnings on assets restricted in perpetuity – endowment and managed in accordance with the Organization’s spending policy

Cash

Cash consists primarily of money market and checking accounts and excludes amounts held by the Organization’s fund managers and included in investments.

Investments and Investment Return

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the periods in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as net assets with or without donor restrictions based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Organization’s spending policy.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Organization are being depreciated over their estimated useful lives ranging from five to twenty years using the straight-line method.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made. Contributions received with donor imposed restrictions are reported as restricted support and increase net assets with donor restrictions.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund.

All other revenue is recorded when earned.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind rent. It is the policy of the Organization to record the estimated fair value of the in-kind rent as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended December 31, 2021 and 2020, revenue recognized as in-kind contributions was \$9,600.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Organization and are considered program expenses. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function. These expenses include salaries and wages, payroll taxes and employee benefits, office supplies and various occupancy expenses. These expenses are allocated on the basis of estimates of time, effort, and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is February 8, 2022.

2. CERTIFICATE OF DEPOSIT

The Organization holds a certificate of deposit of \$316,213 at December 31, 2021, which bears interest at .35 percent and has a maturity date of September 2022. At December 31, 2020, the Organization had a certificate of deposit of \$310,753 which bore an interest rate of 1.10 percent and matured in September 2021. The certificates of deposit are recorded at cost plus accrued interest.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

3. INVESTMENTS

Investments consist of the following:

	2021	2020
Cash	\$ 444,059	\$ 461,462
Equity mutual funds		
Mid/small	2,697,953	2,738,172
Large cap	8,531,989	7,553,208
World/emerging market	895,200	987,648
Fixed income mutual funds		
Short-term	386,410	300,886
High yield	318,852	212,820
World/emerging market	320,200	387,096
Inflation-protected bond	555,921	321,504
U.S. government securities	685,547	798,004
Corporate bonds	1,259,993	740,640
	<u>\$ 16,096,124</u>	<u>\$ 14,501,440</u>

4. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 3), which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.
 - Level 2: Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs
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COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds are held by the Organization and are open-end funds that are registered with the Securities and Exchange Commission. These mutual funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
- *U.S. government securities*: Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Corporate bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings.

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2021 and 2020:

	2021		
	Fair Value	Level 1	Level 2
Assets:			
Investments			
Mutual funds	\$ 13,706,525	\$ 13,706,525	\$ -0-
U.S. government securities	685,547	-0-	685,547
Corporate bonds	1,259,993	-0-	1,259,993

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

	2020		
	Fair Value	Level 1	Level 2
Assets:			
Investments			
Mutual funds	\$ 12,501,334	\$ 12,501,334	\$ -0-
U.S. government securities	798,004	-0-	798,004
Corporate bonds	740,640	-0-	740,640

6. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2021	2020
Furniture and fixtures	\$ 10,027	\$ 10,027
Office equipment	9,978	9,978
Software	-0-	18,100
	20,005	38,105
Less accumulated depreciation	(19,507)	(37,391)
	<u>\$ 498</u>	<u>\$ 714</u>

7. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Following is a progression of custodial funds during 2021 and 2020:

	2021	2020
Beginning balance	\$ 522,807	\$ 482,568
Contributions	-0-	218
Investment return, net	66,321	58,345
Administrative fees	(7,131)	(3,418)
Grant payments	(16,122)	(14,906)
Ending balance	<u>\$ 565,875</u>	<u>\$ 522,807</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$631,558 and \$555,615 based on funds appropriated for expenditure for the years ended December 31, 2021 and 2020, respectively.

9. ENDOWMENT

The majority of the Organization's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
 - (2) The purposes of the Organization and the donor-restricted endowment fund
 - (3) General economic conditions
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COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Organization has a policy of appropriating for distribution each year 4 percent of its endowment funds' average fair value over the prior 20 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Endowed funds by net asset type at December 31, 2021 and 2020 were as follows:

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 1,263,094	\$ -0-	\$ 1,137,686	\$ -0-
Donor Restricted Funds	-0-	13,933,973	-0-	12,674,852
	\$ 1,263,094	\$ 13,933,973	\$ 1,137,686	\$ 12,674,852

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Changes in endowed funds for the years ending December 31, 2021 and 2020 were as follows:

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 1,137,686	\$ 12,674,852	\$ 1,032,291	\$ 11,571,282
Contributions and other revenue	-0-	186,600	-0-	162,404
Investment return, net	139,506	1,638,625	118,723	1,406,849
Appropriation of endowment assets for expenditure	<u>(14,098)</u>	<u>(566,104)</u>	<u>(13,328)</u>	<u>(465,683)</u>
Endowment net assets, end of year	<u>\$ 1,263,094</u>	<u>\$ 13,933,973</u>	<u>\$ 1,137,686</u>	<u>\$ 12,674,852</u>

10. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures and other obligations become due. The Organization invests cash in excess of daily requirements in money market accounts, certificates of deposit, and other short-term investments. Financial assets available for general expenditures within one year of the Statement of Financial Position date (operating and board designated reserves) are comprised of the following as of December 31, 2021 and 2020:

	2021	2020
Cash	\$ 61,906	\$ 272,918
Certificate of deposit	126,652	54,157
Operating investments	<u>287,638</u>	<u>167,535</u>
	<u>\$ 476,196</u>	<u>\$ 494,610</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Organization has an annual grant approval process. This process includes evaluating a number of factors relative to the spending rate to be applied to the Organization's fund balances in accordance with its spending policy. Once the Organization's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

While not subject to the Organization's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general expenditure until that time. Non-endowed funds are held in cash, certificates of deposits or liquid investments and are made available upon appropriation.

The administrative endowment is subject to an annual spending rate of 4 percent as described in Note 9. Although the Organization does not intend to spend from this administrative

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endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Organization also relies on the administrative fees it charges its funds annually ranging from 1.5% to 2% of fund balance to fund operational expenditures.

11. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts at December 31, 2021 and 2020.

Marketable securities and money market funds are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

12. RECENTLY ISSUED ACCOUNTING STANDARD

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. This new standard requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, there are expanded disclosure requirements. The Organization will be required to adopt this new standard in the year ending December 31, 2022.

The Organization is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.